

Message Text

SECRET

PAGE 01 LISBON 08714 111801Z
ACTION TRSE-00

INFO OCT-01 SS-14 ISO-00 EUR-08 INR-05 CIAE-00 NSAE-00
NSC-05 EB-03 SP-02 L-01 OMB-01 IGA-02 /042 W
-----080806 111806Z /50

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FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 3710

S E C R E T LISBON 8714

LIMDIS

DEPT. PASS TREASURY FOR SYVRUD

E.O. 11652: GDS
TAGS: EFIN, ECON, PO
SUBJECT: PORTUGAL'S FOREIGN EXCHANGE POSITION

REF: STATE 259296

1. DURING CONVERSATION WITH ECON COUNSELOR NOVEMBER 11, BANK OF PORTUGAL OFFICIAL STATED THAT PORTUGAL'S LIQUID EXCHANGE RESERVES ARE \$155 MILLION. THIS LEVEL OF RESERVES IS SERIOUSLY PREOCCUPYING GOP, PARTICULARLY SINCE FOREIGN EXCHANGE OBLIGATIONS DURING NEXT TWO MONTHS EXPECTED TO BE VERY HEAVY. INCLUDED IN THE OUTFLOW AT THE END OF NOVEMBER IS \$100 MILLION REPAYMENT OF BIS SHORT-TERM LOAN.

2. MINISTER OF FIANCE INFORMED AMBASSADOR NOVEMBER 11 THAT BANK OF PORTUGAL SELLING ON THE COMMODITY MARKET AT A MONTHLY RATE OF \$150 MILLION. IT PLANS TO MOVE APPROXIMATELY 30 TONS PER MONTH DURING THE NEXT TWO MONTHS. IT CURRENTLY HAS AN UNPLEDGED RESERVE OF 400 TONS.

3. BANK OF PORTUGAL OFFICIAL EXPRESSED FIRM DESIRE TO INITIATE FORMAL NEGOTIATIONS ON U.S. \$300 MILLION LOAN. HE HOPES

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TO CONCLUDE AGREEMENT AS SOON AS POSSIBLE, AND IF ABSOLUTELY NECESSARY, OBTAIN NATIONAL ASSEMBLY APPROVAL BY EARLY DECEMBER. HE BELIEVES THAT PORTUGAL MUST HAVE THESE FUNDS IN ORDER TO MEET ITS FOREIGN EXCHANGE OBLIGATIONS THROUGH THE END OF 1977. REQUEST INSTRUCTIONS.
CARLUCCI

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NNN

Message Attributes

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Decaption Note: 25 YEAR REVIEW
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Disposition Approved on Date:
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